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into execution in a direct, economical, expeditious, and effectual method. How far the English system of the law remains distant, not only from theoretical, but easily attainable perfection, any one may perceive, who has studied this subject with any degree of philosophical attention. Americans will not long believe, and the inhabitants of many of these states do not now believe, that there is any necessity that the forms of conducting a legal controversy should be so multiplied and expensive, that the mere costs of suit, without taking into consideration the rewards of professional eminence, should be so great, that none but the rich can indulge in the luxury of the law. This is now the case in England. Enlightened men will not long believe, that it is necessary to have such a system of law, that a vast proportion of the reports relate to distinctions having no connexion with the justice of the case in controversy, and but a doubtful existence in the nature of things, such for instance as the evanescent and scarcely discernible boundaries of the actions of trespass, and trespass on the case. These things will not always remain as they now are, but the day of change is perhaps far distant.

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ART. IX.—*Die Staats Wissenschaft, theoretisch und praktisch dargestellt, &c.*

*The Science of Political Economy, theoretically and practically explained and illustrated, by Examples out of the modern financial History of European States.* By LEWIS HENRY VON JAKOB. 8vo. 2 vols. in one. Halle. 1821.

THE author of this valuable work is one of the many German scholars, whose merits have been latterly acknowledged by the cheap reward of nobility. This might be understood from the particle *Von* prefixed to his name, which, although very ancient and truly historical, is not one of those feudal epithets indicating an aristocratic origin. What honorable station the ennobled author fills, the titlepage does not designate, but from the book it appears that he is a professor in the University of Halle, is respected in Germany as a writer and translator of various works on political economy, and has arrived to the advanced age of seventy years or more. His style

consequently partakes of the excellencies, as well as the imperfections, of the period in which it was formed, thirty or forty years ago.

In the introduction to this treatise it is called a text book, and it appears to have been designed as a guide for the author's lectures on political finance. The first volume is successfully devoted to unfolding the true principles of taxation. The author leaves nothing unexplored, and traverses every country in which this branch of political economy has been cultivated, within the memory of the present generation. For although he also glances at more remote periods, and even at the financial management of the Greeks and Romans, he justly observes, that until lately the only care of financiers was, to devise means of extorting money or services for the necessities of government, without any regard to the justice or equality of taxes, and that consequently the community, and chiefly the lower orders, were oppressed beyond bearing. After enumerating what has been done and written in England, France, Italy, and Germany, as preparatory to developing the principles of political finance, Mr Von Jakob justly ascribes to Adam Smith the honor of having discovered a firm foundation for the sciences connected with political economy, and though his doctrines may not have been universally or unconditionally adopted, still he and his successors, Torrens and Ricardo in England, Say in France, Sismondi in Italy, and Sartorius, Kraus, Soden and others in Germany, are represented as the fathers of a revolution in opinion, which had become practically indispensable by the uncommon expenditures of the late war. The enormous debts thus caused could not be met by the old slovenly method of an unequal and unjust taxation.

The author, after having explained at length the objects of political finance, treats of the science under three distinct heads; first, as relating to the means of defraying the public expenses; secondly, the public demands or expenditures; thirdly, the mode of regulating income and expenses, with comparative views of the two. We do not mean to notice the judicious illustrations with which the author has adorned each of these heads. In two or three instances his arguments do not appear to possess their usually convincing power, but he is generally strong and pointed. The following remarks pertaining to this topic are sound and of general application.

‘The principles,’ he observes, ‘by which the imposition of taxes are regulated, are partly dictated by justice, partly derived from political economy, and partly discovered as beneficial by the science of finance itself. *Justice* demands, that the taxes be indispensable, or that without them no provision can be made for the real wants of the Commonwealth; that they are useful for those who are taxed, or that no one be subjected to a tax for purposes from which can result no advantage to him either directly or indirectly; that there shall be equality, or a just proportion in the division, so that the share of each individual be measured by his participation in the general advantages thus obtained for the Commonwealth, which will be according to the extent of his abilities, or of his property, protected by the salutary regulations of the state; and that no person be a loser in a greater amount by the payment of his tax, than that which he is to gain by the same. *Political economy* requires, that neither the whole sum of the taxes to be imposed encroach upon the capital stock of the nation, nor that the capital stock of each individual be affected by his share of the taxes, but that they may be paid out of *his clear income*; that the tax do not operate against the creation or augmentation of the public wealth, by weakening or destroying its causes; that it take from the citizen as little as possible above the receipts of the treasury, consequently that the collection be easy, cheap, and as direct as possible; that it interfere no more with personal liberty than is unavoidable; that the amount of the taxes be not demanded in such large sums as to take a long time for the contributors to collect them, and that the taxes be, as rapidly as may be, received, and expended for their purpose, so that they shall not linger in private or public hoards to a large amount, but quickly return into circulation. *The science of finance* prescribes for itself as rules of beneficial tendency in levying taxes, that their amount and the time when they will be received may be foreseen with exactness and certainty, such taxes having the preference as are certain and determined in quality and quantity, and whose pay days are fixed and coincide with the times, when payment becomes easy and convenient to the contributor; that no opportunity or temptation exist for evading the taxes or smuggling; and that they may be collected by as few persons, and with as little cost as possible. All these principles, dictated by justice, political economy, and the science of finance, are in complete harmony, and reciprocally aid and support each other.’

In the application of these principles the author examines, as an experienced political economist, the funds out of which taxes may be paid. Under this name he comprehends the aggregate of all useful things possessed by man, and distinguishes the *internal funds*, or his faculties and powers of

body and mind, from the *external*, or the goods and money which he owns, though he considers the first only so far an object of political finance, as they serve to acquire the latter. When such funds are designed as a means for creating other funds, he calls them capital stock, and their produce, revenue. Having explained the nature of capital stock, and the consequences of its being impaired, he concludes that no state can assure itself of a permanent income from taxes, except it be paid out of *the clear revenue of capital stock*. It is worth while to observe the unhappy consequences, which would follow a taxation absorbing the whole, or the most of the clear national revenue, and how indispensable it is for the welfare of a nation, that taxes take only as small a part of the same as possible. But the policy of finance extends farther. It is not time to be satisfied, when the general mass of the national revenue is found competent to bear the taxes, but particular care must be taken in their division, so that some members of the community shall not pay them out of their capital stock, when others pay only such a small part of their clear revenue, that they remain able to increase their capital in a greater proportion, while that of the poorer class diminishes. This consideration leads the author to a nice distinction between *revenue* and *income*, the former term being confined to the clear produce of capital stock, and the other comprehending all other methods by which one person may appropriate to himself the capital stock of another. Two fundamental maxims of taxation are laid down ; first, that all taxes are to be so imposed and divided, that every one may pay them out of his *clear income* ; and, secondly, that they only amount to the smallest possible part of this income.

In applying his principles of taxation, Mr Von Jakob distinguishes the payments *in kind* from those in *money*, the *personal* from the *real*, and the *direct* from the *indirect taxes*. In the first he includes forced services, and takes occasion to show how they may be generally dispensed with, even those for military purposes, and that it is always preferable to change services into monied contributions. He declares himself opposed to all personal taxes, among which he enumerates the singular ones on Jews, heretics, bachelors, and beards, as under Peter First of Russia. Taxes on real property cannot be imposed without great danger of inequality, or of touching

the capital stock, and the same difficulty exists with taxes on moveables. He rejects tithes, and teaches the regulation of taxes on real and personal property, according to the *clear income of each*, under three different heads ; first, taxes on rent of the soil ; secondly, on interest of all kinds of capital ; and thirdly, on the revenue of skill and labor. The illustration of each of these divisions abounds with many excellent and always practical observations.

On the subject of direct and indirect taxation, and the importance of combining the two into a well organised system, Mr Von Jakob speaks as follows.

‘ The objections to indirect contribution are certainly not without foundation, if we look at the manner in which it is imposed in most countries, as lately represented by Mr Prunner. But the question is, whether this does not admit of amendment, and whether a judicious combination of direct and indirect taxes may not be consistent with the principles of a just and equal taxation, or attain the end of a good system of imposts with more certainty, than when we confine ourselves to one of these methods? I hope to have resolved this problem in the affirmative. If the whole of the clear income could be explored without oppressive measures, and also the payment of every person’s share at the right time could be secured, the tax on income might be the only one. But it is quite impossible to ascertain the clear income of an individual with certainty or with a near approach to the truth. It may be conjectured only to a certain extent, and the most of the statements and the result of the valuations remain more or less remote from truth, so that every tax on income, however equal it may appear, is still far from being so in reality. This inequality is owing not only to defective valuations, but to the constant fluctuations of income. It changes yearly with some, with others monthly or weekly. And since the tax must at any rate be permanent for some time, it must be unequal in its effect. The more we attempt to accommodate it to these changes, the more the labor and trouble in its division and collection increase, without obtaining the end of our efforts. In particular, to collect from the poorer class a tax on income would be attended with great difficulties. In this branch of taxes, as in all direct taxation of any consequence, it is impossible to avoid remnants or arrears, the forcible collection of which, notwithstanding the harshness of such measures, generally costs more, than the amount thus collected, and the greater part must be finally given up. Thus taxes on income cannot remain the only resource, especially to a commonwealth in which there are not many rich individuals, and which has great public demands. For, in order that

the inequality, which is inseparable from an income tax, may be endured, or not perceived, one is obliged to assess it in such a manner as to be assured, that nothing is touched but the clear income of individuals, and that this is affected only in such a degree, that the tax can be easily paid. The result is, that though the income, in reality small, is not taxed too high, but in its just proportion, the larger clear income, which appears to be far too little in the tax list, because it could not be discovered, escapes much of its just tax. This fault is inevitable. Will you thrust yourself into the secrets of individuals, and espy the income of every citizen with exactness, you have to resort to measures highly vexatious to the public. The country will be filled with discontent and murmur, the labor and expenses of the inquisitive researches will overbalance the advantages thus gained, and the aim is missed withal. Or do you confine yourself to classifications or external signs, and follow in your valuations the rules of equity and liberality, even then a great part of the clear income unavoidably escapes.

Between this Scylla and Charybdis no passage remains. Among these imperfections a wise financial policy can find no other way, than to choose that method by which every one is sure not to be injured, and which provokes not the hatred of the taxed citizen by oppression. But at the same time other means must be tried to restore to just proportions this inequality, and to take from those, whom the income tax leaves either untouched, or not sufficiently burthened, in some other way as much as they probably would have had to pay, if their income had entered the tax list to its full extent. This seems to be best obtained by a tax judiciously laid on consumption, or regulated by the expenses of the contributors. All taxes on consumption may be ranged in two classes, according to their different objects. The first class touches those private services required for corporeal enjoyment, or the wants of humanity; the second relates to the public services, or advantages, which we enjoy from the protection of government. Commonly, the first class only is understood by what is named tax on consumption; but the latter is of the same nature with the first. In regard to this, when a government takes no more than a just payment for such public matters, acts, or services, from the individuals, who receive the same, they are not to be considered as taxes. But when the government takes not only the cost, but exceeds it greatly, this additional pay is nothing else than a tax on consumption. Taxes of this class may be found in court and register fees; in the price paid for public convenience, such as posts, turnpike roads, canals, locks, bridges, lighthouses; in contributions for the use of public instruction to schools and churches; in corporation expenses; in fees which government takes for diplomas, and similar writings; and in licenses for lotteries, and games of hazard. All taxes of this description may be

justified, if they are adapted to the probable income of those who consume such services, but they are to be rejected, if they are imposed blindly, and only because an opportunity is found to demand money.'

The author proceeds to a minute examination of all these various sources of taxation, in which he evinces great extent of research, and a discriminating judgment. He also goes into a close investigation of the first, or principal class, to which the name of taxes on consumption is often exclusively given, and for the regulation of this class of taxes it is to be kept in mind, that their object is either to remove the inequality produced by the imperfection of the income tax, or to supply the defects of an income tax, which is too low, or to take the place of such a tax with those who remain untouched by it. One caution is specially recommended, which is, that all indirect taxes be laid on an article as nearly as possible at the moment when it reaches the hands of the consumer. For if an indirect tax on consumption is paid long before this period, the goods are not only enhanced in price by the interest of the capital paid for taxes, but the merchant, or manufacturer, incurs also the risk of paying taxes for articles, which he cannot sell, because they will spoil before the opportunity of a market arrives. Such is the nature of consumable goods, however, that this rule cannot be rigidly adhered to, but a wise and just government will always keep it in view, as far as it can be made practicable.

Such is a very imperfect outline of Mr Von Jakob's remarks on the intricate subject of taxation. In this sketch we have done little justice to his learning or his researches. The immense fund of knowledge, which he has collected, respecting the modes of levying taxes in the different countries of Europe, is at the same time curious and highly important to the practical statesman. The following observations on paper currency, the subject of another part of his work, are here translated, not so much on account of anything original in them, as of their practical good sense, and the clearness with which the evils of an undue resort to this means of revenue are pointed out.

'Paper money,' says the writer, 'can retain its nominal value, so long only as it may be extended at pleasure at its full price. To effect this, a government may contrive many artificial methods, but all of them will finally fail, if it is not willing or able to pay the



cash in full, without hesitation or restriction, for every piece of paper money which cannot be redeemed at par. If, therefore, in time of peace, paper money, emitted with caution and prudence, may be of good service to the state, and save large sums of ready money, still, times of pressing difficulties are not those in which a government should resort to this measure, as is clearly evinced by the plainest principles of political economy. Under such circumstances paper money will soon sink below its nominal value, especially if the country be the theatre of war. Every one, who receives it in full from government, loses the whole depreciation experienced during the time he keeps it. Since such paper money always sinks lower and lower, every person who expends it in succession is a loser, and these losses are distributed through the nation in a manner quite unequal and beyond the reach of calculation. Never, therefore, will a sound financial policy seek the aid of paper money in war, or other cases of distress. A nation will thereby always suffer greater losses, than by any other method of providing for the exigencies of war. The loss, which a government thus causes to the nation, is, in the first place, divided in a most irregular way. Government has not the distribution in its power, but leaves it to accident. Thus it is a true indiscriminate pillage of the nation. Again, it is quite impossible for government to indemnify the sufferers by paper money, for none or very few can repair their damages; many even know not when and how they have lost; all that they know with certainty is, that they have become poor. Nay, every attempt of indemnification, instead of alleviating, only increases the injustice and the evil. If the government raises the value of the depreciated paper money, the gain does not go to those who have lost by the depreciation, but to others who have lost nothing, and perhaps have gained much. Every artificial rise of depreciated paper is thus nothing more than a blind distribution of the raised amount among those, who happen at that moment to be in possession of the paper, or in the expectation of such receipts. These gain, according to the sums which they possess, or which they have to receive in payment of debts contracted in bad money. On the other side, those who owe paper money, which they have received at a low rate, lose by this method as much as the paper with which they must repay has advanced.

‘Some writers and politicians consider paper money as a debt of the state, which is obliged to be repaid by raising the paper to its full metallic value. But this view seems quite erroneous. The state is ignorant what individuals, and how much each of them, have lost; there is no possibility of a general liquidation, and consequently none of retribution. Would you say the state owes it to the public? This amounts to nothing. The public is no other than the state itself; both debtor and creditor would be united in

the same person ; thus the debt would disappear. But this would only happen with justice, if all individuals had in equal proportion of their income contributed to the debt, and since this is not the case, the project appears idle. The problem how those, who have suffered more than others, may be indemnified, remains unsolved. All that the government can do is to stop the evil consequences, and to eradicate the evil seed of the past mischief. Very little is to be repaired.<sup>7</sup>

As there is no such thing as restoring the losses already incurred by paper currency, the author declines adventuring in defence of any plan for this purpose. To remove present evils, and prevent future ill consequences, is all that can rationally be attempted. Several methods, which have been proposed and tried, are examined by him, and their comparative imperfections and advantages clearly set forth. Among other methods he thus speaks of the following.

‘ A quite false method of removing the evils of paper money is that latterly adopted in some countries with great expense. It consists in the efforts of government to enhance the course of exchange, by drawing certain quantities of paper money out of circulation, with a view that from a diminution of its mass, an increase of its value must be the consequence. The following considerations will show that this is a mistaken, useless, and wasteful operation. I say a *mistaken* operation, because it is founded on the erroneous idea, that the state is able to repair the damages created by the falling of paper money, and to indemnify those who have suffered losses. Not only society does not get an indemnification by the rising of the course of exchange, but on the contrary it experiences once more the whole train of evils, which it formerly suffered by its fall, only on an inverted scale. For those, who happen to have much paper money on hand, will profit by this measure without knowing how or why, and those who have none, but are to procure it for payment of debts contracted when the money was at a lower rate, must lose. Thus the rise of the value creates just as blindly a great revolution in fortunes, as formerly its fall. Again, I call the attempt *useless*, because, for reasons explained in different parts of this work, it does not, nor can it enhance the value of paper money. Should this follow from its diminution, provision ought at the same time to be made, that it remain the only circulating medium. That is, no coined money besides the paper ought to be introduced into circulation. But this introduction is thought by those at the head of finances, and by many others, to be an advantage to the country, and of a beneficial influence on the value of paper money. Just the contrary, however, happens from the nature of circumstances. The influx of silver prevents the enhancement of paper money, not-

withstanding its diminution. For suppose eight hundred millions of paper dollars to be worth two hundred in silver, and suppose the government to withdraw two hundred millions of paper from circulation; then but fifty millions of silver will take their place. In this case no change occurs in the sum of the circulating medium, because fifty millions of silver are equal to two hundred in paper. Here is the true cause, why the great sacrifices of the Austrian, Russian, and other governments have nowhere had the anticipated effect. Lastly, the operation is *wasteful*, because the money expended for raising the value of paper is totally and uselessly lost, and the nation gains only a new burthen of interest. That it fails in effecting a rise is even fortunate, for otherwise a new revolution in private fortunes would accompany the millions of a thus created useless public debt.

In addition to the topics above discussed, Mr Von Jakob dwells at large on all the important sources from which public revenue is usually derived. On the subject of managing the mint, he recommends that government should totally abstain not only from all profits, but even from deducting the expenses of coining, as in England; and he also advances good reasons for entrusting the coinage of money under proper restrictions to individuals. He speaks of the organisation of post office establishments, public loans from banks and otherwise, providing for public defence by conscription and militia, and such other objects as immediately affect the revenue and disbursements of a nation. All his discussions are marked by liberal and extended views of political science, not less than by compass of learning, strength of argument, and depth of thought.

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ART. X.—*Letters to the Hon. William Prescott, LL.D., on the Free Schools of New England, with Remarks upon the Principles of Instruction.* By JAMES G. CARTER. 8vo. pp. 123. Boston. Cummings, Hilliard, and Co. 1824.

THE principal subject of this pamphlet, the free schools of Massachusetts, is of great and growing importance. It is, at this moment, exciting much inquiry, and will, we think, be yet more carefully discussed hereafter, than it can be at present. We are much gratified, therefore, to receive at this